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TAGS: [PGOV](#) [ECON](#) [PREL](#) [PA](#)

SUBJECT: LUGO'S FIRST MAJOR ATTACK ON CORRUPTION

¶1. (SBU) SUMMARY: The new Paraguayan government scored its first major victory against corruption in September. Prosecutors and police conducted a mega-operation which uncovered the existence of the infamous "black suitcases" containing bribery monies. For years, the Paraguayan press has reported the existence of "black suitcases" full of money derived from a mafia-type customs organization which passes illegal gains up the government chain of command. Authorities charged all 13 port administrators with bribery and issued warrants for their arrest; 12 defendants were released on bail and were given house arrest while one defendant remains at large. END SUMMARY.

¶2. (SBU) The new Paraguayan government scored its first major victory against corruption in September. President Lugo promised during the election campaign to conduct a frontal fight against endemic corruption in public entities. Lugo's first anti-corruption efforts targeted the ports administration.

¶3. (SBU) Prosecutors and police conducted a mega-operation which uncovered the existence of the infamous "black suitcases" containing bribery monies. The investigation started when the new port administration's president, Albino Gonzalez, received information about the illegal activity when some port administration agents involved in the scam "tested the waters" to see if Gonzalez would continue the practice. Gonzalez informed his superior, Minister of Public Works Efrain Alegre, who in turn informed the Public Prosecutors' Office. The Economic Crimes Unit then set up an undercover operation in which it filmed each of the 13 port administrators visiting Gonzalez's office to hand in his weekly contributions. Gonzalez told the press that in three weeks since he took office, he received more than USD 25,000 in contributions. The audio record revealed that the administrators promised to "deliver" as much USD 400,000 per month to Gonzalez's office. Gonzalez told the press that according to past practice, he was supposed to keep USD 100,000 and distribute USD 300,000 to his higher-ups in government.

¶4. (SBU) For years, the Paraguayan press has reported the existence of "black suitcases" full of money derived from a mafia-type customs organization which passes illegal gains up the government chain of command. The ports administration handles all imports to and exports from Paraguay and charges service fees for storage and handling of all containers entering or leaving the country. The ports' fee is a percentage of the value of the goods declared with the country's customs authorities, which are often drastically undervalued. In the past decade, there were several enigmatic road assault cases against customs and ports agents traveling from the interior to Asuncion. In each case, police officials reported that "nothing of value was stolen." However, in September 2005, a customs vehicle traveling from Ciudad del Este towards Asuncion was riddled with bullets. The press speculated that the murdered agent had been carrying a suitcase containing USD 300,000.

¶5. (SBU) Authorities charged all 13 port administrators with bribery and issued warrants for their arrest. After the first two

defendants were released on bail and were given house arrest, ten others turned themselves in and received the same legal treatment. One administrator remains at large. Prosecutors said they may also present money laundering, illicit enrichment, criminal association and corruption charges against the defendants.

¶6. (SBU) COMMENT: President Lugo's first major attack on endemic Paraguayan corruption continues to make headlines. The public is somewhat skeptical that the case will move forward given the fact that not a single defendant is currently behind bars (none had a previous criminal record, which explains why all were given house arrest). This will be the first test of the Lugo administration's mettle on corruption, and will likely give Lugo his first glimpse at the weaknesses in the Paraguayan judiciary. END COMMENT.

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